

DRC RESOURCES CORP /FI
Form 6-K
May 12, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May, 2005
Commission File Number 1-31722

DRC RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

**595 Howe Street, Suite #601, Vancouver, British Columbia, Canada V6C 2T5
(604) 687-1629**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- 713.

EXHIBIT INDEX

The following is a list of Exhibits included as part of this Report on Form 6-K.

- 1 MD&A 1st Quarter 2005, dated May 11, 2005
 - 2 1st Quarter 2005 Audited Financial Statements
-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DRC RESOURCES CORPORATION
(Registrant)

Date: May 12, 2005

By:

□Christopher J. Bradbrook□

Christopher J. Bradbrook,
President and Chief Executive Officer

DRC RESOURCES CORPORATION

2005

FIRST QUARTER REPORT

Content

· ***Letter to Shareholders***

· **Management Discussion and Analysis**

· **Financial Statements (Unaudited) March 31, 2005**

#601 - 595 Howe Street, Vancouver, B. C. V6C 2T5
Telephone: (604) 687-1629 ~ Fax: (604) 687-2845
E-mail address: drcresources@uniserve.com
Website: drcresources.com
TSX Symbol - DRC - AMEX Symbol - DRJ

Letter to Shareholders

(All dollar amounts in Canadian dollars unless otherwise indicated)

It is a pleasure to once again write to my fellow shareholders and potential new investors as I provide an update on the activities of the Company during the 1st quarter, 2005. The quarter was an eventful one, with the highest level of activity the Company has yet seen at its Afton copper-gold Project, located 10 kilometres west of Kamloops, British Columbia, Canada. There are now approximately 30 contractors and employees on site. Things are really moving now!

The progress on the exploration decline continued to be excellent. Subsequent to quarter end we were able to announce (April 11, 2005) that the decline had been advanced more than 650 metres. This represented more than 30% of the planned total underground decline work, and more than 50% of the length of the main portion of the exploration decline. The ground conditions continued to be good, better than anticipated and one of the main reasons why we were able to advance the decline at such a rapid rate. The exploration decline commenced in December, 2004 and is a major component of the feasibility study that the Company is undertaken. The decline provides the access required to complete systematic infill drilling which is required to better define the grade and geometry of the mineralization and which will also provide the information necessary to ultimately convert the resources to reserves. The decline will also provide direct access to the mineralization in order to analyze potential mining methods and the metallurgy. The information obtained from this work will be used as the basis for the technical studies required to complete the feasibility study. This study will determine the potential, nature and economic parameters for developing an underground mine to extract this mineralization.

The 20,000 metre underground diamond drill program commenced during the quarter, with one diamond drill rig. During the quarter a second was brought to the site. With two

diamond drill rigs operating underground we are accelerating the program of infill drilling in order to gain the information required to complete the feasibility study as quickly as possible. We anticipate releasing results of this drilling on a systematic basis starting in the 2nd quarter, 2005. We hope that the results will introduce the potential of the Afton Project to many new investors. Total forecast costs and time required for the feasibility study are \$18 million over 18 months. The project is on budget and ahead of schedule.

We continue to systematically add the skills required at management, project and board levels to accomplish the transition of DRC Resources from an exploration company to an operating mining company. During the quarter we were very pleased to add underground bulk mining and legal expertise to the board of directors with the additions of Cliff Davis and Greg Laing. Cliff brings more than 40 years underground mining expertise to the Company, and we believe that his willingness to join our board is a ringing endorsement of the potential of the project. Greg adds extensive legal expertise in securities and corporate law. His skills will be invaluable to us as the Company grows and evolves.

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We continue to be excited about the future prospects of the DRC Resources Corp. and our Afton copper-gold Project. While preliminary studies indicate the project is potentially economic at conservative metal prices, we nonetheless were pleased to see the strength of the metal prices throughout the quarter.

In closing I would like to thank all our shareholders for their continued support and I look forward to welcoming new shareholders in the months ahead. I would also like to acknowledge the outstanding efforts of our growing group of DRC employees who have been the driving force behind the good news that I am able to report.

Chris Bradbrook
President and CEO
DRC Resources Corporation
May 11, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION AT MARCH 31, 2005

DATED MAY 11, 2005

Management's Discussion and Analysis ("MD&A") of financial condition and results of operation of DRC Resources Corporation ("the Company" or "DRC") for the quarter ended March 31, 2005 should be read in conjunction with the Company's financial statements and corresponding notes for the period ending March 31, 2005. The focus of this discussion is on material changes and information relating to the current period and may exclude certain information disclosed in the previous period's discussion.

DRC prepares and files its financial statements and MD&A in Canadian ("CDN") dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). A note to the financial statement reconciling the figures to United States generally accepted accounting principles ("USGAAP") is included in the YE (Dec 31st) Audited Statement only.

Overview

DRC Resources Corporation with head office located in Vancouver, British Columbia, was incorporated in 1980. The Company is a development stage resource company engaged in the location, acquisition, evaluation, exploration and development of mineral interests. The Company's presently issued 13,941,766 shares are listed on the Toronto Stock Exchange (TSX symbol DRC) and the American Stock Exchange (AMEX symbol DRJ). The main project of the Company is the Afton Copper-Gold Project, located 10 kilometres west of Kamloops, British Columbia. The Company also owns a mineral interest in Ontario which is being maintained with no further work program presently planned.

The Company's business is managed by directors and executives with professional backgrounds and many years experience in the mining industry, augmented by independent geological and mining professionals (qualified persons) retained to advise the Company on its main project.

In evaluating the Company's financial condition and performance, management looks at DRC's relative position in the context of reporting mineral exploration companies in Canada. In that context, management sees the Company as emerging from junior to advanced exploration stage, in which its decision making capabilities will undergo more rigorous testing as DRC moves toward the development and production stages on its advanced Afton Copper-Gold Project. How effectively the Company meets the new issues and challenges will depend upon recently made and planned staff additions and the management of priorities in conduct of the Afton Copper-Gold Project. Management perceives the advancement of DRC's status as due to selection of highly qualified technical advisors, on-site attention of management to conduct exploration work, understanding of what constitutes a successful exploration attempt and careful cash management. All of those qualities must continue, and be improved upon, to meet the challenges of higher cost activities (both underground and surface exploration). While a generally improved economic climate in the mining industry has greatly assisted in the money raising area, the main risks to achievement of objectives will be increased competition for both expert personnel and contract labour which is expected to result in a general increase in costs and, possibly, delay in getting jobs completed. The federal and provincial election and political uncertainty could effect the mining sector which would indirectly effect the Company. Hence, staffing and cost management are expected to be the main challenges to company stewardship in the near term.

Progress and Outlook

During the first quarter the Company focused on the exploration of the Afton Copper-Gold Project ("Afton Project"), located near Kamloops, British Columbia. As a mineral exploration company, the future liquidity of DRC will be affected principally by the level of exploration expenditures and by its ability to raise capital through the equity markets. The Company's cash position is more than sufficient to fund planned exploration

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expenditures at Afton and meet ongoing obligations as they become due. Subsequent to the end of the 1st Quarter the additional financing required to conduct further exploration on the Afton and Ajax Properties, also located near Kamloops, British Columbia was raised by way of a CDN\$3 million financing completed on April 21, 2005. Additional financing may still be required to expand the Company's inventory of mineral resource properties and conduct future exploration on these properties. Several financial institutions have approached the Company with proposals to further strengthen the Company's working capital. Management is investigating the ways in which it may advantageously maximize these financing proposals.

AFTON COPPER-GOLD PROJECT

The Company is moving forward with its plan to advance the Afton Project through the feasibility stage by carrying out an underground exploration and development program. In the first quarter 2005 progress continued toward the completion of the 2000 metre Afton Exploration Decline for which the services of Procon Mining and Tunnelling Ltd. was engaged in 2004. To date approximately 800 meters have been completed. An Underground Diamond Drill contract was awarded to Boisvenue Drilling Ltd. in December, 2004. The underground diamond drilling commenced in late January, 2005, with two hydraulic diamond drills in operation from drill station established in the Exploration Decline. To date 10 diamond drill holes have been completed totaling 4,327 meters feet and assay results are pending. This is an essential step in advancing the project through completion of a bankable feasibility study by providing underground working access to conduct additional exploration work and confirmation sampling and probing of the known deposit in cross-cutting the Afton Mineral Zone. Definition diamond drilling, bulk sampling and technical studies will be carried on concurrently with development of the decline to complete the Afton Feasibility Study. The underground definition diamond drilling is designed to provide the information necessary to upgrade resources to the reserve category. The bulk sampling program taken in cross-cut of the mineral zone will provide grade continuity data required for final mine design and metallurgical information for refinement of mill and process design as well as reserve estimates. The Feasibility Study will include commissioning an independent mine engineering consulting group to finalize a plan for placing the Afton Copper-Gold Project into production. The decline excavation comprises the major part of an \$18 Million final feasibility program that includes extensive definition drilling.

Subsequent to the end of the first quarter, a surface exploration program commenced to outline and define additional mineralization on the Afton property. In April, 2005, Atlas Drilling Ltd., the company which previously completed over 100 diamond drill holes on the Afton and Ajax properties from 2000-2004, was engaged to conduct further

drilling on the Afton Property. To date they have completed 548 meters feet of drilling.

The 2005 surface exploration program is designed to take a fresh look at the entire Afton and Ajax Properties. The program will include a new geophysical airborne study, scheduled for the summer of 2005 which will include high resolution magnetometer, E.M. and radio metrics as well as a density survey. A compilation of all available data will ensue with the integration of the prospective targets from the geophysical survey plotted for a diamond drill program proposed for later in the year. Limited geophysical work has been conducted on the Afton or Ajax Properties since the late 1970's and early 1980's. Geophysical studies have resulted in success in other areas in British Columbia.

In early 2004 Behre Dolbear & Company Ltd. of Vancouver, British Columbia finalized an advanced Scoping Study that included an economic evaluation of the Afton Project, Kamloops, BC in compliance with National Policy 43-101. The study addressed the mineral resource, a number of possible mining methods, mineral processing, and permitting for the Afton Project. The study provided an estimate of capital and operating costs related to the potential development of an underground bulk tonnage mining operation at Afton. This study was filed on SEDAR. The relevant project statistics are outlined below:

Afton Project Statistics

Mineral Resource	Measured and Indicated ¹	68,700,000 tonnes	1.68% Cu _{Eq}
	Inferred Resource	7,450,000 tonnes	1.61% Cu _{Eq}
Mineral Resource Within the Proposed Mine Plan	Measured and Indicated	46,983,000 tonnes	1.72% Cu _{Eq}
	Inferred Resource	4,543,000 tonnes	1.72% Cu _{Eq}
Total Material to be Mined	All Categories ²	51,526,000 tonnes	1.72% Cu _{Eq}
Metallurgical Recovery	Copper		90%
	Gold		90%
	Silver		75%
	Palladium		74%
Mining Method		Underground Panel (Block) Caving	
Production Rate (Mine & Mill)		9,000 tonnes per day	
Mine Life		17.8 years	
Average Annual Production	Copper	29,350 tonnes	
	Gold	71,000 ounces	
	Silver	178,100 ounces	
	Palladium	7,700 ounces	
Initial Capital Cost ³		\$140,034,000	
Working Capital and Initial Inventory		\$9,700,000	
On-going Capital		\$191,351,000	
Unit Operating Cost	(at full production)	\$9.77/tonne milled	
Net Present Value	0%	\$418,206,437	
	5%	\$203,578,770	
	7.5%	\$140,373,936	
	10%	\$94,306,153	
Internal Rate of Return	(pre-tax)	26.68%	
	(after tax)	19.94%	
Payback Period		3.7 years	
Notes:	1	Afton Main Zone Only (@ 0.7% Cu _{Eq} cut-off grade)	
	2	See Note on Page 17, Section 3.0	
	3	Currency used throughout is \$Canadian	

A Mineral Resource Study completed by Behre Dolbear established the Afton Project as a large high-grade copper-gold mineral deposit with potential of developing additional tonnage through further exploration. The study estimates significant tonnage and grade for the Afton Project using cutoff grades ranging from 0.1% to 4.0% Copper Equivalent. This Mineral Resource Study was incorporated in the Afton Advanced Scoping Study.

Afton Main Zone

Measured, indicated and inferred resources were calculated using a geological block model with 10 x 10 x 10 metre blocks and ordinary kriging. A resource summary is presented below for the Afton Main Zone at a cut off grade of 0.7% Cu Eq.

Mineral Resource Estimate

Resource Category	Tonnes>Cutoff (tonnes)	Grade>Cutoff		Contained Product	
		CuEQ%	AuEQ(g/t)	Copper (lb)	Gold (oz)
Measured	9,540,000	1.956	3.039	271,000,000	290,000
Indicated	59,160,000	1.635	2.541	1,368,000,000	1,577,000
Measured and Indicated	68,700,000	1.679	2.609	1,639,000,000	1,866,000
Inferred	7,450,000	1.480	2.300	151,790,000	188,000

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The copper and gold equivalents are based on the following metal price assumptions:

Metal	Price (US\$)	Recovery
Copper	\$0.85/lb.	90%
Gold	\$375/oz.	90%
Silver	\$5.25/oz.	75%
Palladium	\$200/oz.	74%

The Afton mineral resource estimates, based on 2000-2003 diamond drill results from 90 drill holes totaling 42,450 metres, were calculated by Mr. Gary Giroux, P. Eng., and incorporated into the Advanced Scoping Study under the direction of Mr. James A. Currie, P. Eng. Both Mr. Giroux and Mr. Currie are independent Qualified Persons as defined under the National Instrument 43-101. All drill hole samples were prepared under the supervision of DRC personnel and shipped to Eco Tech Laboratories Ltd., a British Columbia Certified Assayer, for analysis. DRC employs a comprehensive QA/QC program including the use of standards and internal and external check samples. Behre Dolbear has reviewed the QA/QC program and is of the opinion that it meets or exceeds industry standards. Industry-accepted methods were used for grade estimation using ordinary kriging (a method of determining a weighted average in such a way that the geostatistical estimation variance of the weighted average is minimized). The assays were composited into 10 metre down-hole composites. Reasonableness of grade interpolation was reviewed by visual inspection of sections displaying block model grades, drill-hole composites and geology with good agreement being observed. In accordance with National Instrument 43-101, both the updated Mineral Resource Study and the updated advanced Scoping Study were filed on SEDAR.

The resources developed by DRC Resources are not reserves and, until such time as resources are proven to be reserves, there is a risk that the Company may not achieve ongoing operations from which it may derive significant income.

AJAX PROPERTY

The Ajax Property, consisting of 77 mineral claims, covering 4500 acres, is connected by an existing 10 km mine haulage road to the Afton Copper-Gold Property to the west. Subsequent to the end of the 1st Quarter the additional financing required to conduct further surface exploration on both the Afton and Ajax Properties, located near Kamloops, British Columbia was raised by way of a CDN\$3 million financing completed on April 21, 2005. During the 2004 field season six diamond drill holes were completed on the Company's Ajax property located on the Company's 100% owned Ajax Property, located 10 km east of the Afton Property, Kamloops, BC. The purpose of the diamond drill program was to test for sulphide mineralization between the two Ajax open pits and below the previously mined depths. Drilling successfully indicated a large near-surface copper sulphide system with an associated gold credit between and deeper than the previously mined Ajax East and Ajax West pits.

The results of the Company's exploration programs prompted a geological interpretation of the area that represents a significant departure from the concept on which the shallow surface pits of copper-gold ore were developed and mined by the previous operator in the early nineteen nineties. The exploration drill program has outlined copper-gold mineralization with an interpreted vertical depth of 300 metres below surface and with an apparent thickness of 400 metres which is consistent with the zone mined in the two open pits. Three of the six drill holes were drilled over a strike length of approximately 400 metres. Two drill holes completed to the northwest of the Ajax East and West pits did not intersect the mineralized zone as the holes were collared too far in the foot wall of the zone.

The Ajax East and West pits have been described as porphyry deposits in geological publications. The Company is encouraged by the size and depth of the system and intends to continue to explore for a higher grade core.

Significant assay results for three drill holes intersecting the mineral zone over a length of 400 metres and

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to a depth of 300 metres below surface are as follows:

ASSAY INTERSECTIONS FOR AX-01 @ -55°/121°

Core Length (m)	Depth (m)	Copper (%)	Gold (g/t)
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51	75-126	0.232	0.145
121	156-277	0.240	0.169
63	307-370	0.362	0.165
31.2	421-452.2	0.249	0.126

ASSAY INTERSECTIONS FOR AX-02 @ -52°/120°

Core Length (m)	Depth (m)	Copper (%)	Gold (g/t)
194	26-220	0.223	0.141
123	277-400	0.221	0.082

ASSAY INTERSECTION FOR AX-04 @ -55°/120°

Core Length (m)	Depth (m)	Copper (%)	Gold (g/t)
278	27-305	0.233	0.159

All drill hole samples were prepared under the supervision of DRC personnel and shipped to Eco Tech Laboratories Ltd., a British Columbia Certified Assayer, for analysis.

Selected Quarterly Information

The selected financial data appearing below for the first quarter ending March 31, 2005, 2004, and 2003 are set forth in Canadian dollars and extracted from the audited Consolidated Financial Statements (filed on SEDAR).

DRC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) that apply in Canada with a note to the financial statement reconciling the figures to United States generally accepted accounting principles ("USGAAP"). The selected financial data appearing in the first table below is presented in accordance with Canadian GAAP.

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to DRC Resources' audited Consolidated Financial Statements.

	Quarter Ended	Quarter Ended	Quarter Ended
	March 31, 2005	March 31, 2004	March 31, 2003
Net Operating Revenue	148,874	171,231	24,720
Net Income (Loss)	(825,908)	62,395	(119,800)
Income (Loss) per Share	(0.06)	0.01	(0.01)
Total Assets	31,639,796	31,795,645	6,358,849
Net Assets	29,402,428	28,404,971	6,195,689
Deferred Income Taxes	(787)	(9,110)	(15,944)
Cash Dividends per share	Nil	Nil	Nil
Deficit	(5,046,738)	(2,908,890)	(1,872,714)
Capital Stock	33,008,361	31,313,861	8,068,403
Weighted Average Number of Shares	13,390,604	12,920,359	9,131,766

With approximately \$23 million in cash assets, DRC currently has sufficient funds to meet its obligations and to carry out its exploration plans and complete the feasibility study. There is no assurance that DRC will in the future be able to obtain all the financing it requires on acceptable terms and conditions, or at all. The only sources of future funds presently available to DRC are the sale of equity capital, or the offering of an interest in its properties to be earned by another person or firm carrying out further exploration or development of the properties.

Operating Results

During the first quarter of 2005 the main focus of the Company has been the exploration of the Afton Project in Kamloops, BC as described in the Progress and Outlook section above.

The advanced Scoping Study on the Afton Main Mineral Zone prepared by Behre Dolbear and Company Ltd., is based on a Mineral Resource (all categories) of 76 million tonnes and indicates that panel cave mining and conventional flotation technology are viable methods of application for mining and processing of a 51.5 Million Tonne Mineral Resource. The Study indicates an estimated life-of-mine cash operating cost of US\$0.15 per pound of copper and a total operating cost of less than US\$0.40 per pound of copper, both costs being net of precious metal credits. A copper price of US\$0.85/lb was used in the economic calculation for this study. Persistence of the current robust metals market, in which copper prices have exceeded US\$1.40 per pound, would enhance the economic potential of the Afton Project. The Company has now proceeded to the feasibility stage. This will enable a more detailed analysis of all potential mining methods and economic scenarios (including that envisaged in the scoping study) in order to determine the optimum method of developing a mine at the Afton Project site.

To the beginning of 2004, a total of \$5 million had been expended to take the Afton Project through the initial surface exploration stage which included the 2000-2003 diamond drill programs. Preparation, engineering studies and government approvals for the start-up of the underground development began in early 2004, with the physical work on underground ancillary decline commencing in early November 2004. Approximately \$9 million has been expended on the Afton Project to date.

Behre Dolbear's Advanced Scoping Study completed in 2004, estimated the additional costs to take the Afton Project to feasibility study and through permitting over a period of 18 months will involve the following work:

Item

Cost

Underground Development

\$13,626,000

Definition Drilling from Underground

1,862,000

Metallurgical Testing

250,000

Environmental/Permitting

610,000

Technical Studies

250,000

Feasibility Study

750,000

DRC Supplied Personnel

400,000

Total

\$17,748,000

This feasibility study is fully funded as the result of a \$24 million financing completed in November 2003. To date, approximately \$6.5 million has been expended on the feasibility study.

Note: Certain technical reports outlining the above have been filed on SEDAR. A direct link to SEDAR may be found on the Company's website: www.drcresources.com.

Summary of Quarterly Information

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to DRC's audited and interim Consolidated Financial Statements.

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The Afton Copper-Gold Project exploration programs are the only significant expenditures in progress. All exploration has been funded by external financing through issue of securities of DRC. The Company has no current ongoing mining operations and no significant income.

Foreign currency fluctuations had a limited negative effect on DRC's other income and expenses. The impact of a rising Canadian dollar (or devaluing US dollar) could have significant effect on concentrate product sales in the future, since all such sales are conducted in US currency, while costs are incurred in Canadian dollars. Decrease in interest income is primarily due to lower interest rates earned on working capital.

Foreign exchange gains and losses result primarily from the translation of US dollar denominated monetary assets to Canadian dollars.

For purposes of illustrating management explanation and discussion of the Company's financial condition and results of operations, please refer to the following table of selected financial information that appears in more detail in the financial statements that accompany this application.

Dec 31

Dec 31

2004

2003

	March 31 (YE) figures		Sep 30	June 30	March 31 (YE) figures		Sep 30	June 30
Quarter Ending	2005		2004	2004	2004		2003	2003
Net Operating Revenue (Loss)	148,874	565,506	94,883	199,304	171,231	108,482	21,613	(8,747)
(Loss) Before Taxes	(825,121)	(1,202,805)	140,903	(18,310)	71,505	(415,702)	(70,410)	(141,907)
(Loss) per Share	(0.06)	(0.09)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.02)
Net Income(Loss)	(825,908)	(1,249,545)	146,626	(20,422)	62,395	(1,218,371)	(105,943)	(182,903)
(Loss) per Share	(0.06)	(0.09)	(0.01)	(0.01)	(0.01)	(0.13)	(0.01)	(0.02)

Liquidity & Capital Resources

Working Capital at Quarter-end DRC Resources had working capital of \$24,200,000, \$24,700,000 and \$4,000,000 and no debt at March 31st in, respectively, the years 2005, 2004 and 2003. Net equity financings of \$4,904,120 in 2000, \$1,935,515 in 2002 and \$22,500,250 in 2003 and options exercised totaling \$2,550,000 in 2004 were the principal sources of working capital.

During first quarter 2005 interest income and a small foreign exchange gain, provided for approximately 15.28% of the Company's administrative costs. In 2004 and 2003, interest, royalty income, sale of investment property, gain of marketable securities and a foreign exchange gains provided for, respectively, approximately 62.83% and 34.98% of the Company's administrative costs.

In 2000 DRC Resources' working capital increased significantly due to funding provided by a \$5 million Special Warrants Private Placement Offering, which put the Company in a position to make a commitment to a large exploration program on its Afton Copper-Gold Project. In 2002 a \$2.1 million private placement of flow-through shares was added to exploration funding, and in 2003 a \$24.1 million private place of common shares significantly increased the working capital. In 2004 the exercise of director and employee stock options infused \$2,550,000 into the Company's working capital.

These infusions of capital funds into the treasury of the Company established the work capital to meet the fiscal administrative costs and carry out the budgeted exploration programs todate. Without further capital infusion the working capital will steadily deplete through the year 2005. DRC's working capital is sufficient to meet all its present requirements as an exploration company. In order to be in a position to move to the development stage of its Afton Copper-Gold Project, DRC realized that it would be expected to raise at least 10% of the expected capital requirement of about \$140 million, in order to attract an institutional lender or mine financing partner, such as a smelter, to the project.

Contractual Obligation for Acquisition of the Afton Copper-Gold Property

By Option to Purchase Agreement ("the Option") dated September 22, 1999 DRC Resources acquired the exclusive right for 90 days to purchase a 100% undivided working interest in the Afton 1 - 11 (incl.) mineral claims, Record Nos. 372023 - 372026 (incl.) and 372641 - 372647 (incl.) (the "Original Claims") as to 50% from Westridge Enterprises Ltd., a non-reporting British Columbia company wholly owned by John H. Kruzick, a director, the Chairman of the Board of the Company; and as to 50% from Indo-Gold Development Ltd., a non-reporting British Columbia company owned by John Ball, a geologist. The Option provided for consideration to be a 10% Net Profit Royalty to and a property management agreement with the optionors, with exercise to be by carrying out exploration work and paying Common Shares of DRC Resources as follows:

Due Date⁽¹⁾	Option Payment	Status	Exploration (\$)	Status
On regulatory approval	1,000,000 Shares	Paid		
Year 1 (2000)	-		400,000	Performed
Year 2 (2001)	200,000 Shares	P		